

**COMMISSIONERS**  
JEFF HATCH-MILLER - Chairman  
WILLIAM A. MUNDELL  
MARC SPITZER  
MIKE GLEASON  
KRISTIN K. MAYES

ORIGINAL OPEN MEETING ITEM



**ARIZONA CORPORATION COMMISSION**

22

DATE: January 31, 2006  
DOCKET NO: SW-03575A-05-0470 et al.  
W-03576A-05-0470  
TO ALL PARTIES:

Enclosed please find the recommendation of Administrative Law Judge Yvette Kinsey. The recommendation has been filed in the form of an Opinion and Order on:

**PALO VERDE UTILITIES COMPANY AND SANTA CRUZ WATER COMPANY  
(CC&N EXTENSION)**

Pursuant to A.A.C. R14-3-110(B), you may file exceptions to the recommendation of the Administrative Law Judge by filing an original and thirteen (13) copies of the exceptions with the Commission's Docket Control at the address listed below by **4:00 p.m.** on or before:

**FEBRUARY 9, 2006**

The enclosed is NOT an order of the Commission, but a recommendation of the Administrative Law Judge to the Commissioners. Consideration of this matter has tentatively been scheduled for the Commission's Open Meeting to be held on:

**FEBRUARY 14 AND 15, 2006**

For more information, you may contact Docket Control at (602)542-3477 or the Hearing Division at (602)542-4250. For information about the Open Meeting, contact the Executive Director's Office at (602) 542-3931.

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BRIAN C. McNEIL  
EXECUTIVE DIRECTOR

1 **BEFORE THE ARIZONA CORPORATION COMMISSION**

2 **COMMISSIONERS**

3 JEFF HATCH-MILLER, Chairman  
4 WILLIAM A. MUNDELL  
5 MARC SPITZER  
6 MIKE GLEASON  
7 KRISTIN K. MAYES

8 IN THE MATTER OF THE APPLICATION OF  
9 PALO VERDE UTILITIES COMPANY FOR AN  
10 EXTENSION OF ITS EXISTING CERTIFICATE  
11 OF CONVENIENCE AND NECESSITY.

DOCKET NO. SW-03575A-05-0470

IN THE MATTER OF THE APPLICATION OF  
SANTA CRUZ WATER COMPANY FOR AN  
EXTENSION OF ITS EXISTING CERTIFICATE  
OF CONVENIENCE AND NECESSITY.

DOCKET NO. W-03576A-05-0470

DECISION NO. \_\_\_\_\_

**OPINION AND ORDER GRANTING  
ORDER PRELIMINARY**

12 DATE OF HEARING: December 8, 2005

13 PLACE OF HEARING: Phoenix, Arizona

14 ADMINISTRATIVE LAW JUDGE: Yvette B. Kinsey

15 APPEARANCES: Mr. Michael W. Patten, ROSHKA, DeWULF &  
16 PATTEN, on behalf of Applicants; and

17 Mr. David Ronald, Staff Attorney, Legal Division on  
18 behalf of the Utilities Division of the Arizona  
Corporation Commission.

19 **BY THE COMMISSION:**

20 On June 30, 2005, Santa Cruz Water Company, LLC ("Santa Cruz") and Palo Verde Utilities  
21 Company, LLC ("Palo Verde") (jointly "Companies") filed with the Arizona Corporation  
22 Commission ("Commission") an application for an extension of their respective Certificates of  
23 Convenience and Necessity ("CC&Ns" or "Certificates") to provide water and wastewater service,  
24 respectively in portions of Pinal County.

25 On July 29, 2005, the Commission's Utilities Division Staff ("Staff") filed an Insufficiency  
26 Letter listing the areas in the application that Staff determined did not meet the sufficiency  
27 requirements set forth in the Arizona Administrative Code.  
28

1 On August 8, 2005, Palo Verde and Santa Cruz submitted a letter and additional information  
2 in response to Staff's Insufficiency Letter.

3 On September 7, 2005, Staff filed a Sufficiency Letter stating that the Companies'  
4 Application met the sufficiency requirements set forth in the Commission's rules.

5 On September 9, 2005, a Procedural Order was issued setting the hearing to commence on  
6 December 8, 2005 on the application and also setting associated procedural deadlines including the  
7 publication of notice of the hearing.

8 On October 4, 2005, the Companies amended their application revising the legal description  
9 for the extension area.

10 On October 11, 2005, the Companies filed their Affidavit of Publication and Notice of  
11 Mailing.

12 On November 2, 2005, Staff filed its Staff Report recommending approval of the application  
13 to extend the CC&Ns to provide wastewater and water services, subject to certain conditions.

14 On November 17, 2005, the Companies filed Comments to the Staff Report.

15 On December 1, 2005, Staff filed a Modification to the Staff Report.

16 On December 8, 2005, a full public hearing was convened before a duly authorized  
17 Administrative Law Judge of the Commission at its offices in Phoenix, Arizona. The Companies and  
18 Staff appeared through counsel and presented evidence and testimony. A representative from the 387  
19 Improvement District, appeared and gave public comment in the matter. Additionally, at hearing,  
20 Staff testified that based on discussions between Staff, Applicant and the County, Staff was  
21 modifying its recommendation requesting that the Commission issue an Order Preliminary, pursuant  
22 to A.R.S. § 40-282 (D) in this matter. Pending late-filed exhibits, all matters were taken under  
23 advisement at the conclusion of the hearing.

24 On December 13, 2005, the 387 Water District filed its public comment in this docket.

25 On December 13, 2005, Staff filed a late-filed exhibit outlining its position on the issuance of  
26 an Order Preliminary in this matter.

27 On December 16, 2005 the Companies filed Comments in Support of an Order Preliminary.

28 \* \* \* \* \*

1 Having considered the entire record herein and being fully advised in the premises, the  
2 Commission finds, concludes, and orders that:

3 **FINDINGS OF FACT**

4 1. Pursuant to authority granted by the Commission Palo Verde and Santa Cruz are  
5 Arizona Corporations engaged in the business of providing wastewater and water services to an  
6 approximate 17 square mile area located within the corporate city limits of the City of Maricopa, in  
7 the northwest portion of Pinal County.

8 2. Palo Verde and Santa Cruz are Arizona Limited Liability Companies ("LLCs") in  
9 good standing with the Commission's Corporation Division.

10 3. Palo Verde and Santa Cruz originally received Commission authority to provide water  
11 and wastewater services in Decision Nos. 61943 (September 17, 1999) and 67240 (September 15,  
12 2004).<sup>1</sup> They provide wastewater utility service to over 8,000 customers and water utility service to  
13 over 8,100 customers in portions of Pinal County.

14 4. On June 30, 2005, the Companies jointly filed an application seeking Commission  
15 authority to extend their respective CC&Ns to include seven and one half square miles adjacent to its'  
16 existing Certificated area. The extension area is more fully described in Exhibit A, attached hereto  
17 and incorporated herein by reference. The requested extension area includes approximately 5,000  
18 acres and over 16,300 lots. The extension area is known as the 387 Domestic Water Improvement  
19 District and the 387 Wastewater Improvement District (collectively the "Districts" or "387  
20 Districts").

21 5. According to the Companies' application, the Districts were formed in 2003 by Pinal  
22 County and were operated by Sonoran Utility Services ("Sonoran") to provide water and wastewater  
23 services in the proposed extension area. The application further states that "the Districts have  
24 experienced or encountered various problems in connection with providing the necessary  
25 infrastructure services required to meet the needs of the area in a timely manner."

26 \_\_\_\_\_  
27 <sup>1</sup> The Companies are wholly-owned subsidiaries of Global Water Resources, LLC ("GWR"). GWR owns three  
28 certificated utility companies in the State of Arizona including Palo Verde, Santa Cruz and Cave Creek Water Company  
and acts as the Interim Manager of Sabrosa Water Company. Altogether, GWR's subsidiaries provide utility service to  
approximately 18,600 customers in Arizona.

1           6.       On April 14, 2005, the Companies took over the Districts' operation of the water and  
2 wastewater services from Sonoran and later the Companies acquired the Districts' assets.

3           7.       According to Staff's Report, the application in the instant case will complete the  
4 transition from the District-owned and operated utilities to a public service corporation, subject to  
5 regulation by the Commission, owned by GWR and operated by Palo Verde and Santa Cruz.

6           8.       According to Staff's Report, the Companies have obtained from each of the property  
7 owners in the extension area permission to have their lands included in the Companies' CC&Ns.

8           9.       According to the Companies' application, the proposed wastewater and water systems  
9 will be financed through a combination of shareholder equity and advances in aid of construction or  
10 Main Extension Agreements ("MXAs").

11          10.       Staff recommends that Santa Cruz file with Docket Control, for Staff's review and  
12 approval, a copy of the fully executed MXAs for water facilities within 365 days of a Decision in this  
13 matter.

14 **WATER SYSTEM**

15          11.       Santa Cruz's existing water system is comprised of two drinking water wells, with a  
16 combined production rate of 3,100 gallons per minute ("GPM"), two storage tanks, with a combined  
17 capacity of 3 million gallons, a booster pump station, two pressure tanks, with combined capacity of  
18 20,000 gallons and one irrigation well.

19          12.       According to Staff's Report, Santa Cruz currently has an average growth rate of over  
20 250 new connections per month and it is in the process of completing installation on the Neely West  
21 well, which will add 2,000 GPM to its existing system.

22          13.       The 387 District water system is comprised of two wells with a combined production  
23 rate of 1,000 GPM, two storage tanks with a combined capacity of 1 million gallons and a booster  
24 pump station with pressure tanks. The 387 District water system has an average of 150 new  
25 connections per month.

26          14.       According to Staff's Report, the wells in the 387 District are shallow and the water in  
27 them exceeds the Maximum Containment Level ("MCL") for nitrates and therefore Santa Cruz plans  
28 to use them for irrigation purposes only. Staff's Report further states that Santa Cruz plans to

1 interconnect its existing system to the 387 District system and that the combined system would have  
2 adequate capacity to serve both the existing and extension area customers. Staff further concluded  
3 that Santa Cruz will develop the additional capacity to meet future growth in the extension area.

4 15. Staff recommended that Santa Cruz file with Docket Control, as a compliance item in  
5 this docket, a copy of the Arizona Department of Environmental Quality ("ADEQ") Approval of  
6 Construction ("AOC") for the proposed water line interconnection by December 31, 2006.

7 16. According to Staff's Report, ADEQ reported Santa Cruz is currently delivering water  
8 that meets the water quality standards required by the Arizona Administrative Code.

9 17. Santa Cruz is located in the Pinal Active Management Area ("AMA") and according  
10 to Staff's Report is in compliance with AMA requirements.

11 18. Staff recommended that Santa Cruz file with Docket Control, as a compliance item in  
12 this docket, a copy of its amended Designation of Assured Water Supply, stating that there is  
13 adequate water supply for the extension area within 365 days of the effective date of a Decision in  
14 this matter.

15 19. According to Staff's Report, the Utilities Division Compliance Section found no  
16 outstanding compliance issues for Santa Cruz.

17 20. The U.S. Environmental Protection Agency ("EPA") has reduced the arsenic MCL  
18 from 50 micrograms per liter ("µg/l") or parts per billion ("ppb") to 10 µg/l by January 23, 2006.  
19 According to Staff's Report, the arsenic MCL in both of Santa Cruz's wells exceeds the new arsenic  
20 MCL, specifically the wells showed that the arsenic levels were 10.1 µg/l and 17.71 µg/l. Staff's  
21 Report stated that Santa Cruz planned to use blending to reduce the arsenic concentration to meet the  
22 new standard and that Santa Cruz's proposed treatment plan had been submitted to ADEQ for review  
23 and approval. Therefore, Staff recommended that Santa Cruz file with Docket Control as a  
24 compliance item in this docket a copy of its ADEQ Certificate of Approval to Construct ("ATC") for  
25 its arsenic remediation plan by December 31, 2005.

26 At the hearing, Santa Cruz's witness testified that the two 387 District wells that Santa Cruz  
27 planned to use for potable water were below the arsenic MCL. Santa Cruz's witness further testified  
28 that the company had an approved ADEQ blending plan which would ensure that as they brought the

1 additional wells on-line in the extension area, that they would meet the new 10 µg/l limit. Staff  
2 verbally amended its recommendation at the hearing to state that Santa Cruz is in compliance with  
3 the ADEQ and that Santa Cruz should be required file with Docket Control, as a compliance item in  
4 this docket, a copy of its ADEQ ATC for its arsenic remediation plan within 90 days of a Decision in  
5 this matter.

6 21. According to Staff's Report, Santa Cruz has an approved Curtailment Tariff on file  
7 with the Commission, which was filed in October 2003 and amended in 2005.

8 22. Santa Cruz will provide service to the extension area at its existing rates and charges  
9 on file with the Commission.

10 23. Every applicant for a CC&N and/or CC&N extension is required to submit to the  
11 Commission evidence showing that the applicant has received the required consent, franchise or  
12 permit from the proper authority. According to Staff's Report, the extension area is located within  
13 the jurisdictional boundary of the City of Maricopa. Additionally, Staff stated that on October 15,  
14 2003, the City of Maricopa was incorporated and is now in the process of developing its franchise  
15 process. Therefore, Staff recommended that Santa Cruz and Palo Verde file with Docket Control, as  
16 a compliance item in this docket, a copy of the City of Maricopa franchise agreement for the  
17 extension area within 365 days of a Decision in this matter.

18 24. Staff recommends the Commission issue an Order Preliminary to Santa Cruz for an  
19 extension of its CC&N to provide water service, subject to compliance with the following conditions:

- 20 a. That Santa Cruz charge its authorized rates and charges in the extension area.
- 21 b. That Santa Cruz file with Docket Control, as a compliance item in this docket, a  
22 copy of the ADEQ AOC for the proposed water line interconnection by December  
23 31, 2006.
- 24 c. That Santa Cruz file with Docket Control, as a compliance item in this docket, a  
25 copy of the amendment to its existing Designation of Assured Water Supply,  
26 stating that there is adequate water supply, within 365 days of the effective date of  
27 a Decision in this matter.
- 28 d. That Santa Cruz file with Docket Control, as a compliance item in this docket, a

copy of its ADEQ ATC for its arsenic remediation plan within 90 days of a Decision in this matter.

e. That Santa Cruz file with Docket Control, as a compliance item in this docket, a copy of the City of Maricopa franchise agreement for the extension area within 365 days of the Decision in this matter.

25. Staff's recommendations in Findings of Fact No. 24 are reasonable.

**WASTEWATER**

26. With respect to Palo Verde's wastewater system, Palo Verde owns and operates an enclosed one million gallons per day ("MGD") sequential batch reactor treatment plant, sand filters, ultraviolet disinfection units and an effluent reuse and/or surface water disposal system to serve its existing CC&N area.

27. According to Staff's Report, the 387 District has a 0.99 MGD treatment plant, but it has never been in service. In response to Staff's Data Request, Palo Verde stated that all the wastewater from the 387 District area is being pumped and hauled to the Palo Verde treatment plant for treatment and disposal.

28. According to Staff's Report, Palo Verde plans to interconnect its existing wastewater system with the 387 District, which will allow all the 387 District wastewater to be treated at the Palo Verde treatment plant. Staff concluded that the Palo Verde wastewater system has adequate capacity to serve its existing customer base, as well as the extension area, and that Palo Verde will develop the additional capacity needed to meet the future growth in the extension area.

29. Staff recommends that Palo Verde file with Docket Control, as a compliance item in this docket, a copy of the ADEQ AOC for the sewer line interconnection by December 31, 2006.

30. Pursuant to Section 208 of the Federal Water Pollution Control Act, the Central Association of Governments ("CAAG") is the designated water quality planning agency for the requested CC&N extension area. The CAAG has the authority to develop and approve general wastewater plans which include land development policies, service areas, objectives, principles, and standards for local growth and development. According to Staff's Report, Palo Verde and the 387 District each have valid approved amendments which delineate their respective Section 208 Water



1 Quality Management Plan service areas. At the hearing, Palo Verde's witness testified that he  
2 believed that Palo Verde would need to apply to transfer the 208 Plan from the 387 District to Palo  
3 Verde to augment its existing and approved 208 Plan. (TR pg. 22 at 12-16) According to Staff's  
4 Report, in August 2005 Palo Verde filed its CAAG Section 208 Plan amendment pursuant to this  
5 application. The amended Section 208 plan is pending approval by CAAG. Staff recommended that  
6 Palo Verde file documentation from the CAAG stating that it has Section 208 authority to operate  
7 within the 387 District's boundaries.

8 31. Staff's Amended Staff Report indicates that Palo Verde is in total compliance with  
9 ADEQ.

10 32. According to Staff's Report, the Utilities Division Compliance Section found no  
11 outstanding compliance issues for Palo Verde.

12 33. Palo Verde will provide service to the extension area at its existing rates and charges  
13 on file with the Commission.

14 34. Staff recommends the Commission issue an Order Preliminary to Palo Verde for an  
15 extension of its CC&N to provide wastewater service, subject to compliance with the following  
16 conditions:

- 17 a. That Palo Verde charge its authorized rates and charges in the extension area.
- 18 b. That Palo Verde file with Docket Control, as a compliance item in this docket,  
19 a copy of the ADEQ AOC for the sewer line interconnection by December 31,  
20 2006.
- 21 c. That Palo Verde file with Docket Control, as a compliance item in this docket<sup>2</sup>,  
22 documentation from CAAG stating that it has Section 208 authority to operate  
23 within the 387 District's boundaries.
- 24 d. That Palo Verde file with Docket Control, as a compliance item in this docket,  
25 a copy of the City of Maricopa franchise agreement for the extension area  
26 within 365 days of the Decision in this matter.

27  
28 <sup>2</sup> Although staff's recommendation was not specific regarding the filing of the CAAG Section 208 information, we believe docketing the information as a compliance item is appropriate.

35. We find Staff's recommendations in Findings of Fact No. 34 are reasonable.

**Discussion and Resolution**

36. In the instant case, Staff recommends and the Companies propose that the Commission issue, pursuant to §40-282(D), an "Order Preliminary" to the issuance of the ultimate CC&Ns to Santa Cruz and Palo Verde. A.R.S. §40-282 (D) provides:

If a public service corporation desires to exercise a right or privilege under a franchise or permit which it contemplates securing, but which has not yet been granted to it, the corporation may apply to the commission for an *order preliminary* to the issue of the certificate. The Commission may make an order declaring that it will thereafter, upon application, under rules it prescribes, issue the desired certificate, upon terms and conditions it designates, after the corporation has obtained the contemplated franchise or permit or may make an order issuing a certificate on the condition that the contemplated franchise or permit is obtained and on other terms and conditions it designates. If the commission makes an order preliminary to the issuance of the certificate, upon presentation to the commission of evidence that the franchise or permit has been secured by the corporation, the commission shall issue the certificate. (emphasis added)

37. As discussed above, in April 2005 the Companies took over the day-to-day operations of the 387 Districts from Sonoran. According to the Companies' late-filed exhibit, GWR was asked by the City of Maricopa, ADEQ and the Arizona Department of Water Resources ("ADWR") to provide water and wastewater services to the proposed extension area when Sonoran was unable to fulfill its duties under the management contracts it held with the Districts. The Companies' late-filed exhibit goes on to state:

Sonoran could not deliver an adequate level of service to the customers of the 387 Districts. For example, the wastewater treatment plant for the 387 Districts was not completed in time to serve the customers who moved into the area. Moreover, the water from the 387 District's wells did not meet state and federal standards. Sonoran's inability to provide adequate service created an emergency.

As a result of the emergency situation, Palo Verde and Santa Cruz interconnected their systems with the 387 Districts in order to continue water and wastewater service to the customers in the proposed extension area. Additionally, GWR and the 387 Districts entered into an agreement to assign the management contracts from Sonoran to GWR.

1        38.     Subsequent to GWR taking over the day-to-day operations of the 387 Districts, a  
2 complaint and a notice of claim were filed in the Superior Court of Arizona naming the 387 Districts,  
3 Pinal County, members of the Pinal County Board of Supervisors and George Johnson<sup>3</sup> as  
4 defendants. The lawsuit filed by Lennar Communities Development, Inc, ("Lennar"), alleges breach  
5 of fiduciary duty and breach of statutory duty, and seeks declaratory judgment against all defendants.  
6 Additionally, a notice of claim was filed by Sonoran which names Pinal County, the 387 Districts, the  
7 City of Maricopa and various public officials as defendants and mainly alleges that the defendants  
8 "forced" Sonoran to "give up its valuable contract rights and business expectances" and that Sonoran  
9 was unable to recover all the value it owned and controlled as a result of the Management  
10 Agreements set up with GWR." Sonoran is seeking \$83 million in damages.

11        39.     According to the Companies' late-filed exhibit, GWR and its affiliates were not named  
12 as defendants in the pending litigation.

13        40.     At the hearing, Mr. Terry Doolittle<sup>4</sup> presented and later docketed public comments in  
14 support of the Companies' application and regarding the Districts' pending legal issues. In his filed  
15 comments, Mr. Doolittle states that the Districts and the County are not opposed to the Companies'  
16 application, nor are they opposed to carrying out the wishes of the landowners in the extension area.  
17 He further stated that he was aware that "the landowners in the 387 Districts had signed petitions  
18 requesting to be deannexed from the district." Additionally, he stated under the laws governing  
19 special districts that a petition for deannexation, among other things, must be in the public interest  
20 and that before the Districts could be dissolved it was the Districts' and County's position that all  
21 pending legal matters needed to be resolved. Therefore, Mr. Doolittle requested that the Commission  
22 condition approval of the CC&Ns on the 387 Districts being dissolved and the management contracts  
23 with GWR being terminated prior to the final approval. At the hearing, Staff presented testimony  
24 modifying its recommendations to include the condition requested by the District and County. The  
25 Companies did not oppose Staff's recommendation.

26        41.     Recent Commission Decisions have stated that although A.R.S. §40-282 (D) allows  
27

28 <sup>3</sup> George Johnson is the Manager of Sonoran.

<sup>4</sup> Mr. Doolittle is the acting county manager for Pinal County and he is also the Superintendent for the 387 Districts.

1 for the issuance of an Order Preliminary, the process has not been used on a regular basis for a  
2 number of years. *See, Utility Source, LLC*, Decision No. 67446 (January 4, 2005).

3 42. However, there are circumstances where the issuance of an Order Preliminary is the  
4 appropriate mechanism to lend a degree of certainty in anticipation of future events and where the  
5 circumstances are beyond the Applicant's control. Here, the Companies have been placed in a unique  
6 situation because they were asked to intercede in an emergency situation to continue water and  
7 wastewater services to customers in the extension area when Sonoran was unable to fulfill its duties  
8 under its contract. The landowners in the extension area have filed with the County to be deannexed  
9 from the 387 Districts and although the County and the 387 Districts are not opposed to the  
10 deannexation they believe that the 387 District cannot be dissolved prior to resolving the pending  
11 legal issues.

12 There is a public need for the granting of the CC&Ns. According to the Companies' late-filed  
13 exhibit there are currently 2,700 customers in the extension area and Staff's Report indicates that  
14 new connections will average 250 connections per month. Further, all of the customers in the  
15 extension area have requested service from the Companies. Therefore, we find there is a public need  
16 to extend the CC&Ns.

17 By analogy, we find the circumstances in the instant case similar to those in *Johnson Utilities,*  
18 *LLC* Decision No. 67586 (February 15, 2005), where we found that an Order Preliminary was  
19 appropriate until the pending issues could be resolved. We believe that the issuance of an Order  
20 Preliminary will allow the Companies to move forward with development in the area while giving  
21 existing and potential customers a sense of security that this matter will be resolved in favor of a final  
22 Order granting approval of the extension of the CC&Ns. Additionally, an Order Preliminary gives  
23 the Companies a sense of security to invest capital and make improvements to the infrastructure in  
24 the extension area. Further, issuance of an Order Preliminary brings the extension areas under  
25 Commission jurisdiction which will allow continued oversight by the Commission that all  
26 requirements are met prior to the issuance of a final Order. Once Staff has determined that Palo  
27 Verde and Santa Cruz are in compliance with the conditions discussed herein we will have a further  
28 opportunity to review Staff's recommendation and issue a final Order in this proceeding.

43. Because an allowance for the property tax expense of Santa Cruz and Palo Verde are included in the Companies' rates and will be collected from its customers, the Commission seeks assurances from the Companies that any taxes collected from ratepayers have been remitted to the appropriate taxing authority. It has come to the Commission's attention that a number of water companies have been unwilling or unable to fulfill their obligation to pay the taxes that were collected from ratepayers, some for as many as twenty years. It is reasonable, therefore, that as a preventive measure Santa Cruz and Palo Verde should annually file, as part of their annual reports, an affidavit with the Utilities Division attesting that the Companies are current in paying their property taxes in Arizona.

## CONCLUSIONS OF LAW

1. Palo Verde and Santa Cruz are public service companies within the meaning of Article XV of the Arizona Constitution and A.R.S. §§40-281, 40-282 and 40-285.

2. The Commission has jurisdiction over Palo Verde and Santa Cruz and the subject matter of the application.

3. Notice of the application was given in the manner described herein.

4. Applicants have established there is a need and necessity for public wastewater utility service and water utility service and this requires issuance of an Order Preliminary prior to the approval of an extension of their Certificates authorizing them to construct, operate and maintain facilities to furnish wastewater and water service in the area described in Exhibit A.

5. The Companies are fit and proper entities to receive an Order Preliminary for the extension areas.

6. The public convenience and necessity require the issuance of an Order Preliminary to the Applicants authorizing them to provide waste water utility and water service to the public in the area sought to be Certificated herein.

7. The application by the Applicants to extend their Certificates should be granted subject to an Order Preliminary being issued prior to a Certificate subject to the conditions set forth in Staff's recommendations described above.

**ORDER**

IT IS THEREFORE ORDERED that, pursuant to A.R.S. §40-282(D), this Order Preliminary to the issuance of the Certificates of Convenience and Necessity is granted and upon completion of the requirements contained in Findings of Fact Nos. 24 and 34 that Palo Verde Utilities Company, LLC and Santa Cruz Water Company, LLC shall each file a motion in this docket for the issuance of a Certificate of Convenience and Necessity authorizing it to construct, maintain and operate facilities to provide wastewater utility and water service to the public in the area more fully described as Exhibit A.

IT IS FURTHER ORDERED that upon the Motion of Palo Verde Utilities Company, LLC and Santa Cruz Water Company, LLC, and verification of satisfaction of the requirements for the issuance of their respective Certificates of Convenience and Necessity, Staff shall prepare and docket an Order that grants the Certificates of Convenience and Necessity for Commission approval.

IT IS FURTHER ORDERED that Palo Verde Utilities Company, LLC shall file within 90 days of a Decision in this matter with Docket Control, as a compliance item in this docket, documentation from the CAAG stating that it has Section 208 authority to operate within the 387 District's boundaries.

IT IS FURTHER ORDERED that prior to the issuance of the Certificates in this matter the 387 Districts shall be dissolved by the Pinal County Board of Supervisors.

IT IS FURTHER ORDERED that Palo Verde Utilities Company, LLC and Santa Cruz Water Company, LLC, shall charge their authorized rates and charges in their respective extension areas.

IT IS FURTHER ORDERED that Palo Verde Utilities Company, LLC and Santa Cruz Water Company, LLC shall file as part of its annual report, an affidavit with the Utilities Division attesting that the Company is current on paying the property taxes in Arizona.

IT IS FURTHER ORDERED that in the event Palo Verde Utilities Company, LLC and Santa Cruz Water Company, LLC, do not timely comply with the following Ordering Paragraphs, then the Order Preliminary approved herein shall be deemed null and void. In such event, Staff shall file a memorandum to close this docket.

IT IS FURTHER ORDERED that Santa Cruz Water Company, LLC shall file with Docket

1 Control as a compliance item in this docket, a copy of the ADEQ AOC for the proposed water line  
2 interconnection by December 31, 2006.

3 IT IS FURTHER ORDERED that Santa Cruz Water Company, LLC shall file with Docket  
4 Control, as a compliance item in this docket, a copy of the amendment to its existing Designation of  
5 Assured Water Supply, stating that there is adequate water supply, within 365 days of the effective  
6 date of this Decision.

7 IT IS FURTHER ORDERED that Santa Cruz Water Company, LLC shall file with Docket  
8 Control, as a compliance item in this docket, a copy of its ADEQ ATC for its arsenic remediation  
9 plan within 90 days of the effective date of this Decision.

10 IT IS FURTHER ORDERED that Palo Verde Utilities Company, LLC and Santa Cruz Water  
11 Company, LLC shall file with Docket Control, as a compliance item in this docket, a copy of their  
12 City of Maricopa franchise agreement for the extension area within 365 days of the effective date of  
13 this Decision.

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1 IT IS FURTHER ORDERED that Palo Verde Utilities Company, LLC shall file with Docket  
2 Control, as a compliance item in this docket, a copy of the ADEQ AOC for the sewer line  
3 interconnection by December 31, 2006.

4 IT IS FURTHER ORDERED that this Decision shall become effective immediately.

5 BY ORDER OF THE ARIZONA CORPORATION COMMISSION.  
6  
7

8 CHAIRMAN

COMMISSIONER

11 COMMISSIONER

COMMISSIONER

COMMISSIONER

13 IN WITNESS WHEREOF, I, BRIAN C. McNEIL, Executive  
14 Director of the Arizona Corporation Commission, have  
15 hereunto set my hand and caused the official seal of the  
16 Commission to be affixed at the Capitol, in the City of Phoenix,  
17 this \_\_\_\_ day of \_\_\_\_\_, 2006.

18 BRIAN C. McNEIL  
EXECUTIVE DIRECTOR

19 DISSENT \_\_\_\_\_  
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1 SERVICE LIST FOR:

PALO VERDE UTILITIES COMPANY and SANTA  
CRUZ WATER COMPANY

2  
3 DOCKET NOS.:

SW-03575A-05-0470 and W-03576A-05-0470

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**LEGAL DESCRIPTION FOR 387 DISTRICT  
TO BE INCLUDED IN THE CC&N FOR SANTA CRUZ WATER COMPANY, L.L.C. &  
PALO VERDE UTILITIES COMPANY, L.L.C.**

THE DESCRIPTION OF THE FOLLOWING LANDS ARE TO BE INCLUDED:

**TOWNSHIP 4 SOUTH, RANGE 3 EAST, G&SRB&M, PINAL COUNTY, ARIZONA**

THAT PORTION OF SECTION 21 DESCRIBED AS FOLLOWS: THE SOUTHEAST QUARTER OF THE SOUTHWEST QUARTER AND THE SOUTHWEST QUARTER OF THE SOUTHEAST QUARTER LYING SOUTHERLY OF THE SOUTHERLY RIGHT-OF-WAY OF THE UNION PACIFIC RAILROAD, EXCEPT THE FOLLOWING DESCRIBED PARCEL: COMMENCING AT THE SOUTHEAST CORNER OF SAID SECTION 21; THENCE NORTH 89°50' WEST ALONG THE SOUTH LINE OF SAID SECTION 21 A DISTANCE OF 1930.00 FEET; THENCE NORTH 00°10' EAST A DISTANCE OF 180.87 FEET TO THE TRUE POINT OF BEGINNING; THENCE NORTH 00° 10' EAST A DISTANCE OF 316.00 FEET; THENCE NORTH 89°50' WEST A DISTANCE OF 316.00 FEET; THENCE SOUTH 00°10' WEST A DISTANCE OF 316.00 FEET; THENCE SOUTH 89°50' EAST A DISTANCE OF 316.00 FEET TO THE TRUE POINT OF BEGINNING.

THE SOUTHEAST QUARTER OF THE SOUTHWEST QUARTER OF SECTION 25.  
THE SOUTHEAST QUARTER OF SECTION 25.

THE WEST HALF OF THE WEST HALF OF SECTION 26.

THAT PORTION OF SECTION 27 LYING NORTHERLY OF THE NORTHERLY RIGHT-OF-WAY OF THE UNION PACIFIC RAILROAD AND EASTERLY OF THE WEST HALF OF THE WEST HALF OF SAID SECTION 27.

THAT PORTION OF SECTION 27 DESCRIBED AS FOLLOWS: BEGINNING AT THE SOUTHEAST CORNER OF SAID SECTION 27; THENCE NORTH 89°48'40" WEST ALONG THE SOUTH LINE OF SAID SECTION 27 A DISTANCE OF 555.92 FEET; THENCE NORTH 24°41' 11" WEST A DISTANCE OF 155.02 FEET; THENCE NORTH 00°44'45" WEST A DISTANCE OF 428.29 FEET; THENCE NORTH 20°07'00" EAST A DISTANCE OF 421.17 FEET, MORE OR LESS, TO THE SOUTHERLY RIGHT-OF-WAY LINE OF THE UNION PACIFIC RAILROAD; THENCE SOUTH 53°48'48" EAST ALONG SAID SOUTHERLY RIGHT-OF-WAY LINE A DISTANCE OF 597.88 FEET, MORE OR LESS, TO THE INTERSECTION OF SAID SOUTHERLY RIGHT-OF-WAY LINE AND THE EAST LINE OF SAID SECTION 27; THENCE SOUTHERLY ALONG THE EAST LINE OF SAID SECTION 27 A DISTANCE OF 969.05 FEET, MORE OR LESS, TO THE POINT OF BEGINNING.

THE WESTERLY ONE-HALF OF SECTION 27 LYING SOUTHERLY OF THE SOUTHERLY RIGHT-OF-WAY OF THE UNION PACIFIC RAILROAD.

## PAGE 2 of 3 / 387 LEGAL DESCRIPTION

ALL OF SECTION 28 EXCEPT THE FOLLOWING: COMMENCING AT THE NORTH QUARTER CORNER OF SAID SECTION 28; THENCE NORTH 89°48' 14" EAST ALONG THE NORTH LINE OF SAID SECTION 28 A DISTANCE OF 280.12 FEET TO THE TRUE POINT OF BEGINNING, SAID TRUE POINT OF BEGINNING BEING DESCRIBED AS BEING THE INTERSECTION OF THE EAST LINE OF MARICOPA MEADOWS PARCEL 16 AND THE EAST-WEST CENTERLINE OF MC DAVID ROAD; THENCE SOUTH 00°09'29" EAST A DISTANCE OF 1314.36 FEET ALONG THE EAST LINE OF MARICOPA MEADOWS PARCELS 16 AND 17 TO THE SOUTHEAST CORNER OF SAID PARCEL 17; THENCE NORTH 89°48'25" EAST ALONG THE SOUTH LINE OF THE NORTHEAST QUARTER OF THE NORTHEAST QUARTER OF SAID SECTION 28 A DISTANCE OF 192.37 FEET; THENCE SOUTH 02°00'07" WEST A DISTANCE OF 1288.07 FEET; THENCE NORTH 89 °38'01" EAST A DISTANCE OF 397.78 FEET; THENCE NORTH 00°21'59" WEST A DISTANCE OF 360.00 FEET; THENCE NORTH 89 °38'01" EAST A DISTANCE OF 599.33 FEET; THENCE SOUTH 00°09'24" EAST A DISTANCE OF 385.62 FEET; THENCE NORTH 89 °09'14" EAST A DISTANCE OF 514.33 FEET; THENCE SOUTH 00°45'29" EAST A DISTANCE OF 75.69 FEET; THENCE NORTH 89°48'29" EAST A DISTANCE OF 445.60 FEET; THENCE NORTH 79°48'31" EAST A DISTANCE OF 50.00 FEET TO A POINT ON A CURVE CONCAVE SOUTHWESTERLY, THE CENTER OF WHICH BEARS NORTH 79°48'31" EAST, HAVING A RADIUS OF 1432.39 FEET, THROUGH A CENTRAL ANGLE OF 10°27'01", AN ARC LENGTH OF 261.26 FEET; THENCE NORTH 00°15'32" EAST A DISTANCE OF 1230.37 FEET TO A POINT OF CURVATURE TO THE RIGHT, THE CENTER OF WHICH BEARS SOUTH 89°48'29" EAST, HAVING A RADIUS OF 716.20 FEET, THROUGH A CENTRAL ANGLE OF 35°23'02", AN ARC LENGTH OF 442.30 FEET; THENCE NORTH 35°38'35" EAST A DISTANCE OF 97.27 FEET TO THE SOUTHERLY RIGHT-OF-WAY LINE OF THE UNION PACIFIC RAILROAD; THENCE NORTH 53 °49'25" WEST A DISTANCE OF 1160 FEET, MORE OR LESS, ALONG SAID SOUTHERLY RIGHT-OF-WAY LINE TO THE INTERSECTION OF SAID SOUTHERLY RIGHT-OF-WAY LINE AND THE NORTH LINE OF SAID SECTION 28; THENCE SOUTH 89°48' 14" WEST A DISTANCE OF 1300 FEET, MORE OR LESS, TO THE TRUE POINT OF BEGINNING.

THE NORTH HALF OF THE NORTHWEST QUARTER OF SECTION 33, TOGETHER WITH THE NORTHEAST QUARTER OF SAID SECTION 33 EXCEPT ANY PORTION THEREOF WHICH MAY LIE WITHIN THE AK-CHIN INDIAN COMMUNITY;

THE SOUTHWEST QUARTER OF SECTION 34.

**TOWNSHIP 5 SOUTH, RANGE 3 EAST, G&SRB&M, PINAL COUNTY, ARIZONA**

ALL OF SECTION 2.

ALL OF SECTION 3; EXCEPT THE NORTH 210.00 FEET OF THE EAST 210.00 FEET OF THE NORTHEAST QUARTER OF THE NORTHWEST QUARTER THEREOF; AND EXCEPT THE NORTH 220.00 FEET OF THE EAST 636.00 FEET OF THE WEST 264.00 FEET OF SAID NORTHEAST QUARTER OF THE NORTHWEST QUARTER.

ALL OF SECTION 11.

THE WEST ONE-HALF OF SECTION 12; EXCEPT THE EAST 229.58 FEET OF THE SOUTH 951.32 FEET.

DECISION NO. \_\_\_\_\_

PAGE 3 of 3 / 387 LEGAL DESCRIPTION

**TOWNSHIP 4 SOUTH, RANGE 4 EAST, G&SRB&M, PINAL COUNTY, ARIZONA**

THE SOUTH HALF OF SECTION 21.

ALL OF SECTION 28.

**TOWNSHIP 5 SOUTH, RANGE 4 EAST, G&SRB&M, PINAL COUNTY, ARIZONA**

THE NORTHEAST QUARTER OF SECTION 3.

**END**

**DECISION NO. \_\_\_\_\_**